(1) Supreme Court, U.S.
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No.

IN THE

Supreme Court of the United States

ALAN BLAU, a/k/a Seal 1,
PETITIONER

v.

YMI JEANSWEAR, INC; DAVID VERED

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE NINTH CIRCUIT

PETITION FOR A WRIT OF CERTIORARI

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QUESTIONS PRESENTED FOR REVIEW

Whether the Ninth Circuit erred when it held that willful infringement is a prerequisite to an accounting of defendant's profits for violations under section 32(1) of the Lanham Act [15 U.S.C. §1114(1)], after the 1999 Legislative Amendment section 35(a) of the Act [15 U.S.C.§1117(a)].

Whether the Ninth Circuit Court of Appeals erred in affirming summary judgment for Respondents when, utilizing a "bright-line" wilfulness requirement for an accounting of profits under section 35(a) of the Lanham Act, it held that evidence of deliberate and knowing infringement is "irrelevant" so long as Respondent subjectively believed that he was acting in good faith.

PARTIES TO THE PROCEEDINGS

Petitioner

Petitioner is Alan Blau, owner of the trademark UBU, and a resident of the State of Pennsylvania. Petitioner was the Plaintiff in the District Court, and the Appellant in the Ninth Circuit Court of Appeals.

Respondents

Respondent YMI is a California corporation having its principal office and place of business in Los Angeles, California. Respondent David Vered is the owner of YMI. Respondents were the Defendants in the District Court, and Appellees in the Ninth Circuit Court of Appeals.

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PETITION FOR CERTIORARI

Petitioner Alan Blau ("Blau") respectfully petitions for a writ of certiorari to review the judgment of the United States Court of Appeals for the Ninth Circuit in this case.

OPINIONS AND ORDERS BELOW

The opinion of the Court of Appeals (Appendix ("App"), *infra*, 1a-3a) is reported at 129 Fed.Appx. 385. The opinion and order of the District Court (App., *infra*, 4a-24a) is unreported. The order of the Court of Appeals denying a timely petition for rehearing en banc (App., *infra* 25a), is unreported at present.

JURISDICTION

The judgment of the Court of Appeals was entered on April 27, 2005. (App., *infra* 1a-3a) The Court of Appeals denied a timely petition for rehearing en banc on June 15, 2005. (App., *infra*, 25a). The jurisdiction of this Court is invoked under 28 U.S.C. §1254(1).

STATUTORY PROVISIONS INVOLVED

Lanham Act section 32(1), 15 U.S.C. §1114(1)(a) provides, in relevant part:

> Any person who shall, without the consent of the registrant, use in commerce any reproduction, counterfeit, copy, or

> colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive... shall be liable in a civil action by the registrant for the remedies hereinafter provided.

Lanham Act Section 35(a), 15 U.S.C. §1117(a), provides, in relevant part:

> When a violation of any right of the registrant of a mark registered in the Patent and Trademark Office, a violation under section 1125(a) or (d) of this title, or a willful violation under section 1125(c) of this title, shall have been established in any civil action arising under this chapter, the plaintiff shall be entitled, subject to the provisions of sections 1111 and 1114 of this title, and subject to the principles of equity, to recover (1) defendant's profits, (2) any damages sustained by the plaintiff, and (3) the costs of the action.

STATEMENT OF THE CASE

Petitioner Alan Blau is the registered owner of the trademarks U.B.U. and U.B.U. INTERNATIONAL in Class 25, which he has been using in connection with the sale of clothing since 1992. Since 1996, Blau has been President of YB Norml, Inc., the licensee of the U.B.U. and U.B.U. INTERNATIONAL registered trademarks

("Blau's Trademarks"). Blau's Trademarks are valid, extant and in full force and effect. In 1996, Blau granted YB Norml the license to manufacture, distribute and sell products displaying the Registered Trademarks.

The unique mark was conceived as a way to allow a certain consumer to identify the products of YB Norml. The company markets to female consumers in their late teens through their late twenties, which is somewhat of a hybrid between juniors and missy in the garment industry vernacular. Although much of its business derived from boutique and specialty shops, it also sold a good deal of product to various department stores, including Nordstrom. UBU products were also prominent at various industry trade shows. Indeed, the exposure from the trade shows was significant feature in generating name recognition. The company, through the exploitation of the UBU mark, enjoyed sales of nearly $1,000,000 in 2001 with advertising of approximately $30,000.

In late 2001, Blau learned through various consumers that another company had been using the UBU mark to advertise and sell its product. More particularly, Respondent YMI had taken the UBU mark and placed it prominently on the labels of its jeans, creating the mark "YMI-UBU." Furthermore, Defendants' infringing YMI lets UBU mark was prominently advertised in the October 2001 issue of Market Magazine.

Respondent YMI was formed in the early part of 2001. YMI is not, nor ever was, authorized to manufacture, sell, distribute or deal in products incorporating Blau's Trademarks in any fashion.

Upon learning of YMI's unauthorized use of the UBU mark, on November 27, 2001 Blau's counsel sent a cease and desist letter to YMI's president, Respondent David Vered which stated that YMI's use of the UBU Mark on its jeans was (1) in direct competition with their U.B.U. clothing line, and (2) likely to cause confusion among consumers.

YMI did in fact receive the cease and desist letter in November of 2001 via Federal Express. YMI did not, however, cease and desist their use of the UBU mark. To the contrary, YMI increased its advertising budget from practically nothing in 2001 to $100,000 in 2002, appeared at trade shows for the first time, placed "YMI jeans lets UBU on the cover of its website, and otherwise did everything possible to sell its infringing YMI-UBU clothing.

In February 2002, at the MAGIC trade show in Las Vegas[1], Blau confronted Vered, who had chosen to prominently feature the YMI-UBU mark in his advertising, and again insisted that the infringement stop. As Vered himself testified: "Alan Blau and his partners came up to me at the YMI booth, introduced himself, and complained about our use of UBU."

Blau continued to receive reports that YMI was infringing on the UBU mark and that his customers were confused by the YMI-UBU mark. Indeed, the company listings at both the Las Vegas and New York trade show had the company, YMI, listed under both YMI and

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[1] MAGIC is one of the two biggest trade shows in the clothing industry, is held twice a year, and is attended by close to 100,000 people per show

separately under UBU. Many consumers had trouble finding Blau's company because of this or were, at the very least, confused by the use. Nevertheless, YMI continued to sell product with the UBU mark emblazoned on them. Indeed, despite the fact that Vered told Blau he would stop using the mark in February of 2002, his company, YMI, actually ordered more of the labels bearing the YMI-UBU mark in as late as May of that year.

During the time period of YMI's infringement, UBU suffered a dramatic downturn in its business--falling by some fifty percent in the year of YMI's most conspicuous infringement. One of its biggest customers, Nordstrom, decided to stop purchasing UBU product and apparently instead decided to go with YMI. Many of UBU's customers were unaware that UBU products were not in Nordstrom any longer and mistakenly purchased YMI jeans thinking them to be from Blau's company. In stark contrast, YMI saw a marked growth in sales once it began selling its clothing bearing the infringing YMI lets UBU mark. In 2001, the year prior to the infringement, Respondents' sales were approximately $2,000,000.00. In 2002, the year Respondents began selling its infringing YMI-UBU jeans, Respondents' sales jumped to $17,000,000.00.

On December 16, 2002, Blau filed a complaint against Respondents in the United States District Court for the Central District of California. The complaint alleged claims for direct trademark infringement and unfair competition. On January 2, 2004, the District Court issued an Order Granting Respondents' Motion for Summary Adjudication of Damage Issues and Summary Judgment. (App., *infra*, 3a-24a) With regard to an

accounting of profits under section 35(a) of the Lanham Act, the District Court utilized the bright-line willfulness requirement set forth in *Lindy Pen Co. v. Bic Pen Corp.*, 982 F.2d 1400, 1405 (9th Cir. 1993) which held that plaintiff may only attempt to recover profits when the trademark infringement is a willful, deliberate attempt to deceive. (App., *infra*,16a) The District Court found that YMI did not willfully infringe the UBU, stating that "[a]lthough Vered denies that he receiv d the cease and desist letter, that dispute is irrelevant. As explained in *Lindy*, knowing use of a mark, with the belief that there is no confusion, does not constitute willful infringement." (App., *infra*, 17a) (emphasis added)

On February 18, 2004, Petitioner timely filed a Notice of Appeal regarding the District Court's order for summary judgment. In its April 27, 2005 memorandum, the Ninth Circuit provided scant analysis of the "willfulness" issue. In affirming the District Court's decision, the Ninth Circuit Court of Appeals simply stated that "[t]he district court properly granted summary adjudication on the damages issue because Blau failed to raise triable issues of fact regarding whether the parties were in direct competition and whether YMI willfully infringed the UBU mark." (App., *infra*, 2a)

Petitioner filed a timely petition for rehearing en banc. The three-judge panel then declined to reconsider its opinion, and issued an order denying rehearing on June 15, 2005. (App., *infra*, 25a)

REASONS FOR GRANTING THE PETITION

I. The Decision Below Exacerbates a Well-Defined And Practically Important Conflict Among The Courts of Appeals

In August 1999 Congress amended section 35(a) of the Lanham Act. Prior to the amendment, that section provided as follows:

> When a violation of any right of the registrant of a mark registered in the Patent and Trademark Office, or a violation under section 43(a), shall have been established ... the plaintiff shall be entitled ..., subject to the principles of equity, to recover (1) defendant's profits, (2) any damages sustained by the plaintiff, and (3) any costs of the action.

The 1999 amendment replaced "or a violation under section 43(a)" with "a violation under section 43(a), or a *willful* violation under section 43(c)," see Pub.L. No. 106-43, §3(b), 113 Stat. 219 (Aug. 5, 1999)(emphasis added). ("[T]he Trademark Act of 1946 (15 U.S.C. 1117(a)) is amended in the first sentence by striking 'or a *violation* under section 43(a) [1125(a)],' and inserting 'a *violation* under section 43(a) [1125(a)], or a *willful violation* under section 43(c) [1125(c).")(emphasis added)

This case calls for the prompt resolution of a conflict that has arisen among the circuit courts following the 1999 amendment to section 35(a) of the Lanham Act. Particularly, the conflict concerns whether a finding of willful infringement is still required before a court can

award a plaintiff an accounting of defendants' profits for violations of sections 32(1) and 35(a) of the Act.

Prior to the 1999 amendment of section 35(a) of the Lanham Act, a number of circuit courts required a finding of willful infringement as a prerequisite to an accounting of defendant's profits. *See Lindy Pen Co. v. Bic Pen Corp.*, 982 F.2d 1400, 1405 (9th Cir. 1993); *SecuraComm Consulting Inc. v. Securacom Inc.*, 166 F.3d 182, 190 (3d Cir. 1999) (holding that "a plaintiff must prove that an infringer acted willfully before the infringer's profits are recoverable"); *Bishop v. Equinox Int'l Corp.*, 154 F.3d 1220, 1223 (10th Cir. 1998) (finding that "an award of profits requires a showing that defendant's actions were willful or in bad faith"); *Minnesota Pet Breeders, Inc. v. Schell & Kampeter, Inc.*, 41 F.3d 1242, 1247 (8th Cir. 1994) (stating that an accounting of profits may be awarded based on various theories "if a registered owner proves willful, deliberate infringement or deception"); *The George Basch Co. v. Blue Coral, Inc.*, 968 F.2d 1532, 1534 (2d Cir. 1992) (holding that "in order to justify an award of profits, a plaintiff must establish that the defendant engaged in willful deception"); *ALPO Petfoods, Inc. v. Ralston Purina Co.*, 286 U.S. App. D.C. 192, 913 F.2d 958, 968 (D.C. Cir. 1990) (concluding that "an award based on a defendant's profits requires proof that the defendant acted willfully or in bad faith").

Although the above circuits had adopted a willfulness prerequisite to an accounting of profits, the definition of willfulness has never been uniformly agreed upon and has been subject to debate and much confusion: "[i]t is impossible to lay down any specific rule as to the kind of intent required before an accounting of profits will be granted. The main problem is that 'intent' itself is

merely a judicial attempt at evaluating the subjective state of mind of the infringer, a notoriously difficult task." J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition*, §30:62 (4th Ed. 2003). In fact, the Ninth Circuit has been contradictory in its treatment of the willfulness standard with regard to its own cases. In *Lindy Pen*, the Court stated that "[w]illful infringement carries a connotation of deliberate intent to deceive." *Lindy Pen*, 982 F.2d at 1406. However, in a recent opinion the Ninth Circuit found willfulness for an award of attorneys fees pursuant to section 35(a) when the defendant seemed not to have a deliberate intent, but only a reckless or knowing state of mind. *See Earthquake Sound Corp. v. Bumper Indus.*, 352 F.3d 1210, 1219 (9th Cir. 2003).

Since the August 5, 1999 amendment to section 35(a) of the Lanham Act, the Third and Fifth Circuits have been the only appellate courts to address the amendment's effect on the willfulness prerequisite as it applied to an accounting of profits for trademark infringement. Both circuits determined that a finding of willfulness would no longer be a prerequisite to an accounting of profits under section 35(a) of the Lanham Act for violations of sections 32(1) and 43(a) of the Act.

In *Quick Technologies Inc. v. Sage Group PLC*, 313 F.3d 338, 349, the Fifth Circuit acknowledged that willful infringement "is an important factor which must be considered when determining whether an accounting of profits is appropriate," but concluded that "in light of the plain language of § 1117(a), however, we decline to adopt a bright-line rule in which a showing of willful infringement is a prerequisite to an accounting of profits." *Id* at 347-49. Instead, the Fifth Circuit adopted a

multi-factor test to determine whether an award of profits is appropriate in a trademark infringement case, looking at: "(1) whether the defendant had the intent to confuse or deceive, (2) whether sales have been diverted, (3) the adequacy of other remedies, (4) any unreasonable delay by the plaintiff in asserting his rights, (5) the public interest in making the misconduct unprofitable, and (6) whether it is a case of palming off." Id. at 349 *(citing Pebble Beach Co. v. Tour 18 Ltd.*, 155 F.3d 526, 554 (5th Cir.1998)).

Earlier this year, the Third Circuit overturned its own precedent and held that a finding of willful infringement was no longer a prerequisite to an accounting of profits under the newly amended Lanham Act. *See Banjo Buddies, Inc. v. Renosky*, 399 F.3d 168, 170, 175 (3d Cir. 2005). Instead, the Third Circuit adopted the Fifth Circuit's multi-factor approach to an award of defendant's profits under the Lanham Act. *Id.* at 175. In support of its holding that the 1999 amendment did not require a finding of willfulness for an accounting of profits, the Court observed: "[w]e presume Congress was aware that most courts had consistently required a showing of willfulness prior to disgorgement of an infringer's profits in Lanham Act cases, despite the absence of the word "willful" in the statutory text prior to 1999. . . By adding this word to the statute in 1999, but limiting it to § 43(c) violations, Congress effectively superseded the willfulness requirement as applied to §43(a). *Id.* at 174.

Various District Courts have started to adopt the Third and Fifth Circuits' view, thus eliminating willful infringement as a prerequisite to an accounting of profits under the Lanham Act. *See Nike, Inc., v. Top Brand*

Company Ltd., 2005 WL 1654859, 11 (S.D.N.Y.) (holding that although willfulness is not a prerequisite to the recovery of profits for infringement and counterfeiting, it continues to function as an equitable consideration under the Fifth Circuit's multi-factor test); *Curcio Webb LLC v. Nat'l Ben. Programs Agency, Inc.*, 367 F. Supp. 2d 1191, 1202 (D. Ohio 2005).

The Courts of Appeals are thus divided on the issue whether the bright-line willfulness requirement has been superseded by the 1999 amendment to section 35(a) of the Lanham Act; i.e., whether the plain language of the amendment indicates that Congress intended to condition monetary awards for §43(c) violations, but not §§32(1) and 43(a) violations, on a showing of willfulness. A uniform decision concerning willful infringement as it pertains to section 35(a) would not only resolve a major dispute among the circuits regarding an important issue of federal trademark law, but would also provide much needed guidance to trademark holders. At present, legitimate trademark holders are uncertain regarding the scope and limits of their remedies under the Lanham Act. The intervention of this Court is essential so that, going forward, the lower courts can discern and businesses can understand the circumstances under which relief may be granted under the Lanham Act.

II. Although This Court Has Shown Significant Interest in Federal Trademark Law Over the Past Decade, This Court Has Never Interpreted the 1999 Amendment to Section 35(a) of the Lanham Act

Over the past decade, this Court has expressed a great deal of interest in resolving questions of

interpretation arising under the Lanham Act in its modern form. *See Dastar Corp. v. Twentieth Century Fox Film Corporation*, 539 U.S. 23 (2003) (Lanham Act does not prevent unaccredited copying of uncopyrighted work); *Moseley v. V Secret Catalogue Inc.*, 537 U.S. 418 (2003) (Federal Trademark Dilution Act requires a showing of actual dilution, rather than a likelihood of dilution, by objective proof of actual injury to the economic value of the mark); *TrafFix Devices, Inc. v. Mktg. Displays, Inc.*, 532 U.S. 23 (2001) (assessing trade dress protection for design on which patents had expired); *Wal-Mart Stores, Inc. v. Samara Bros*, 529 U.S. 205 (2000) (no inherent distinctiveness for unregistered trade dress embodying product designs); *Qualitex Co. v. Jacobson Prods. Co.*, 514 U.S. 159 (1995) (registration of color-only trademarks permissible). Now, this issue of when profits are available to plaintiff's as an element of damages pursuant to section 35(a) of the Lanham Act is worthy of this Court's attention.

In the six years since Congress amended section 35(a), this Court has not had the occasion to interpret any aspect of the statute. As a result, the lower courts been left to discern for themselves numerous issues arising under section 35(a). Some courts, such as the Third and Fifth Circuits, have held that by adding the word "willfulness" to the statute in 1999, but limiting it to §43(c) violations, Congress effectively superseded the willfulness requirements as applied to §§32(1) and 43(a). *See Quick Technologies* at 347-349; *Banjo Buddies* at 174. These courts have embraced a multi-factored approach to determine whether an award of profits is appropriate in a trademark infringement case. Other Courts, such as the Ninth Circuit, continue to impose a bright-line willfulness requirement. As a result, damages in federal trademark

cases have been — and will continue to be — awarded solely depending upon how each court chooses to divine the intent of Congress when it amended section 35(a).

III. The Third Circuit, In A Carefully Considered Opinion, Properly Applied the Plain Meaning of Congress' Amendment to Section 35(a) of the Lanham Act

In *Banjo Buddies*, the Third Circuit held that although willfulness was an important equitable factor to consider when awarding an accounting of a defendant's profits, it was not a prerequisite to such an award. *Banjo Buddies* at 173. *Banjo Buddies* involved a dispute between a trademark holder and former director in connection with the director's sale of competing fishing lure kits. After the director failed to comply with a "cease and desist" letter the trademark holder brought a suit for trademark infringement in the United States District Court for the Western District of Pennsylvania. After a five-day bench trial the District Court held that the director was liable for "false designation or ori[illegible]" under section 43(a) of the Lanham Act and concluded that the director should disgorge net profits under section 35(a).

The director appealed. Relying on *SecuraComm Consulting, Inc. v. Securacom, Inc*, 166 F.3d 182 (3rd Cir. 1999) a case which held that a plaintiff must prove that an infringer acted willfully before the infringer's profits are recoverable under 35(a) of the Lanham Act, the director argued that the district court erred by awarding profits because his violation was not willful or intentional. The Third Circuit disagreed.

While recognizing that *SecuraComm's* bright-line rule was the dominant view when *SecuraComm* was issued in January 1999, the Third Circuit held that the plain language of the August 1999 amendment to section 35(a) of the Lanham Act indicates that Congress intended to condition monetary awards for §43(c) violations, but not §43(a) violations, on a showing of willfulness. *Banjo Buddies* at 174. In support of its holding, *Banjo Buddies* cited to this Court's decision in *Russello v. United States*, 464 U.S. 16, 23 (1983), which held that where Congress includes particular language in one section of a statute but omits it in another section of the same Act, it is generally presumed that Congress acts intentionally and purposely in the disparate inclusion or exclusion. *See also United States v. Wong Kim Bo*, 472 F.2d 720, 722 (5th Cir. 1972). The Third Circuit then embraced the factor-based approach which was reaffirmed by the Fifth Circuit in *Quick Technologies*. *Banjo Buddies* at 175.

IV. The Ninth Circuit Ignored This Court's "Plain Meaning" Rule When It Imposed a Bright-Line Willfulness Requirement to an Accounting of Profits Pursuant to Section 35(a) of the Lanham Act.

This Court has recently reaffirmed the well settled principle that "where Congress includes particular language in one section of a statute but omits it in another section of the same Act, it is generally presumed that Congress acts intentionally and purposely in the disparate inclusion or exclusion." *Duncan v. Walker*, 533 U.S. 167 (2001) (*quoting Bates v. United States*, 522 U.S. 23, 29-30 (1997)). The Third and Fifth Circuits heeded this principle when they both held that the plain language of the 1999 amendment indicates that willfulness is a

prerequisite only when recovery of profits is sought for a violation of section 43(c) —which prescribes remedies for dilution of famous marks.

The Ninth Circuit, by affirming the District Court's grant of summary judgment, refused to apply the plain meaning rule to the Lanham Act and ignored the implications of Congress' 1999 Amendment to section 35(a) which have led the Third and Fifth Circuits to reject the willfulness requirement for an accounting of profits for violations of section 32(1) and 43(a) of the Act. In its brief memorandum of opinion regarding the issue of an accounting of profits, the Court simply stated that "[t]he district court properly granted summary adjudication on the damages issue because Blau failed to raise triable issues of fact regarding whether the parties were in direct competition and whether YMI willfully infringed the UBU mark." (App., *infra* 2a) Due to the absence of any analysis on the part of the Ninth Circuit regarding the newly amended Lanham Act, it can only be assumed that the Court still considered willfulness as a prerequisite to an accounting of profits when it reviewed the District Court's opinion. In fact, the District Court used a pre-1999 Amendment case, *Lindy Pen*, as controlling on this issue.

There is, however, no doubt that this Court prefers and requires adherence to the plain meaning rule when interpreting the Lanham Act. When called upon to interpret the Lanham Act, this Court clearly stated that "[s]tatutory construction must begin with the language employed by Congress and the assumption that the ordinary meaning of that language accurately expresses the legislative purpose." *Park 'N Fly Inc., v. Dollar Park & Fly, Inc.*, 469 U.S. 189, 194 (1985). Indeed, this Court

has stated: "We do not start from the premise that this language is imprecise. Instead, we assume that in drafting this legislation, Congress said what it meant." *United States v. LaBonte*, 520 U.S. 751, 757 (1997).

The Ninth Circuit strayed from this rule by employing a bright-line willfulness standard as a prerequisite when recovery of profits is sought for a violation of section 32(1) of the Lanham Act. If this Court is to ensure consistent, objective, and fair application of the Lanham Act by the lower courts, intervention is necessary to avoid further incursions on the role of Congress in defining the standards by which trademark owners can seek relief pursuant to section 35(a).

V. The Ninth Circuit Misapplied the Test for Willfulness When it Held, At the Summary Judgment Stage, That Evidence of Deliberate Infringement Was Irrelevant So Long As Respondent Subjectively Believed That He Was Acting In Good Faith

As discussed in *Quick Technologies* and *Banjo Buddies*, although not a prerequisite, willfulness is a factor to be considered in evaluating whether equity supports disgorging the infringer's profits. *Quick Technologies* at 349; *Banjo Buddies* at 175. In the present case, the Ninth Circuit upheld that District Court's ruling that evidence of deliberate infringement was irrelevant so long as Respondent believed in his own mind that he was acting in good faith. (App., infra 2a, 17a) In doing so, the Ninth Circuit devised an impossibly stringent standard which requires the trademark holder to actually prove the infringer's state of mind at the

summary judgment stage.

In opposition to Respondent's Motion for Summary Judgment Petitioner produced evidence that Respondent continued selling its infringing clothing after: 1) Respondent had notice of the U.B.U. trademark through its registration, 2) Petitioner had given Respondent a cease and desist letter regarding the existence of the U.B.U. mark on woman's clothing, and 3) Respondent had personally confronted Respondent at a trade show. (App. *infra*, 17a) This evidence, particularly the use of "cease and desist" letters to put infringers on notice of a trademark holder's rights, has been widely accepted among the other Circuits as raising a triable issue of fact regarding willful infringement.[2] Not only does the Ninth Circuit's ruling that evidence of deliberate and knowing infringement is irrelevant directly conflict with the other Courts of Appeals, there is confusion within the Ninth

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[2]**Second Circuit** - *Twin Peaks Producitons, Inc. v. Publications Intern., Ltd*, 996 F.2d 1366, 1382 (2nd Cir. 1993) (continued publication after receiving warnings constituted willful infringement)

Third Circuit - *Louis Vuitton Malletier and Oakley, Inc. v. Veit*, 211 F Supp. 2d 567, 583 (E.D. Pa. 2002) (finding that continued use of marks after notification of possible penalties constituted willful disregard of the legal system and plaintiff's rights);

Sixth Circuit - *Wynn Oil Company v. American Way Service Corporation*, 943 F.2d 595, 603 (6th Cir. 1991) (notice of registration of trademark and of plaintiff's prior use evidenced intentional infringement).

Seventh Circuit - *Chi-boy Music v. Charlie Club, Inc.*, 930 F.2d 1224 (7th Cir. 1991) (knowledge present when defendant continued infringement after receiving a cease and desist letter)

Tenth Circuit - *Bishop v. Equinox Int'l Corp.*, 154 F.3rd 1220 (10th Cir. 1998) (continued infringement after receiving cease and desist letter constituted trademark infringement which was deliberate and willful).

Circuit itself regarding the willfulness standard. *See Earthquake Sound Corp. v. Bumper Indus.*, supra[3]; *Rolex Watch U.S.A. Inc. v. Zeotec Diamonds, Inc.* 2003 U.S. Dist. Lexis 5595, 11 (D. Cal. 2003) (willfulness can be inferred from ongoing abuse after having been presented with a cease and desist demand); *E. & J. Gallo Winery v. Consorzio Del Gallo Nero*, 782 F. Supp. 472, 475 (N.D. Cal. 1992) (Use of an infringing mark, in the face of warnings about potential infringement, is strong evidence of wilful infringement); *O'Brien International, Inc. v. Mitch*, 209 U.S.P.Q. 212, 221 (N.D. Cal. 1980) (willfulness inferred where plaintiff's counsel sent letters to the defendant explaining why the defendant's conduct constituted infringement and requesting that the defendant cease infringing conduct).

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[3]In *Earthquake* the Ninth Circuit addressed the issue of willfulness in the context of an award of attorney's fees pursuant to section 35(a). There, plaintiff claimed that the defendant's use of the word "Carquake" on car audio products infringed upon its "Earthquake," "Bass-Quake" and "Quake" marks. The district court granted plaintiff's motion for summary judgment on the question of liability and entitlement to attorneys fees. In this ruling the district court determined that the infringement was willful, deliberate and knowing.

On appeal the Ninth Circuit rejected Bumper's argument that its conduct was not willful, and in any event that it had acted in good faith. Specifically, it noted that there was evidence that Earthquake had promptly informed Bumper of the confusion caused by the Carquake mark, yet Bumper continued to market the Carquake speakers. *Earthquake* at 1216. The Ninth Circuit also rejected Bumper's argument that there was evidence in the record of its good faith that should have precluded summary judgment, holding "Bumpers claims of good faith are unavailing. The issue is not necessarily one of bad faith: willful or deliberate infringement will suffice." *Earthquake* at 1218.

In *Dimick v. Schiedt*, 293 U.S. 474, 485-86 (1935), this Court acknowledged that:

> The right of trial by jury is of ancient origin, characterized by Blackstone as "the glory of the English law" and "the most transcendent privilege which any subject can enjoy" (BK. 3, p. 379); and, as Justice Story said (2 Story on the Constitution, 1779), "... the Constitution would have been justly obnoxious to the most conclusive objection if it had not recognized and confirmed it in the most solemn terms." With, perhaps, some exceptions, trial by jury has always been, and still is, generally regarded as the normal and preferable mode of disposing of issues of fact in civil cases at law as well as in criminal cases. Maintenance of the jury as a fact-finding body is of such importance and occupies so firm a place in our history and jurisprudence that any seeming curtailment of the right to a jury trial should be scrutinized with the utmost care.

The controlling distinction between the power of the court and that of the jury is that the former is the power to determine the law and the latter to determine the facts. In dealing with questions of motive and intent, that distinction must be borne steadily in mind.

It was in error for the Ninth Circuit not to disaffirm the District Court's opinion and declare that Petitioner did raise a triable issue of fact regarding willful infringement. By disregarding the cease and desist letter

and Petitioner's repeated communications to Respondents, the courts below weighed the evidence and drew inferences in favor of the moving party. Such actions are clearly against the summary judgment jurisprudence that has been established in this Court. *See Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 255 (1986).

If this Court were to allow the Ninth Circuit's ruling to stand, all an infringer would have to do to avoid liability for trademark infringement would be to submit a declaration in connection with a motion for summary judgment stating that he/she was acting in a good faith belief that there was no confusion. As this Court can reasonably conclude, such a result would set an impossible standard which is in conflict with the other Circuits, encourage trademark infringement, foster endless mischief, and run contrary to the purpose of section 35(a) of the Lanham Act, to take all the economic incentive out of trademark infringement.

Furthermore, the denial to Petitioner of a trial of all factual issues — both liability and damages — would effectively alter the Constitution's right to trial by jury on questions of fact. At the very least, Petitioner should have been entitled to litigate these issues to a jury instead of being denied this opportunity at the summary judgment stage.

CONCLUSION

The Petition for Writ of Certiorari should be granted and the decision below reversed and remanded for a jury trial on all appropriate factual issues.

Respectfully submitted,

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No. 03-56617 (Consolidated No. 04-55355)
UNITED STATES COURT OF APPEALS FOR THE NINTH CIRCUIT

ALAN BLAU, a/k/a Seal 1,
Plaintiff – Appellant

v.

YMI JEANSWEAR, INC.; DAVID VERED,
Defendants - Appellees

April 5, 2005, Argued and Submitted, Pasadena, California

April 27, 2005, Filed

NOTICE: RULES OF THE NINTH CIRCUIT COURT OF APPEALS MAY LIMIT CITATION TO UNPUBLISHED OPINIONS. PLEASE REFER TO THE RULES OF THE UNITED STATES COURT OF APPEALS FOR THIS CIRCUIT.

COUNSEL: For ALAN BLAU, a/k/a Seal 1, Plaintiff - Appellant: Brent H. Blakely, Esq., Los Angeles, CA

For YMI JEANSWEAR, INC., Defendant - Appellee: Willmore F. Holbrow, III, Esq., BLAKELY, SOKOLOFF, TAYLOR, SIEGEL & ZAFMAN, Los Angeles, CA

For DAVID VERED, Defendant - Appellee: Willmore F. Holbrow, III, Esq., BLAKELY, SOKOLOFF, TAYLOR, SIEGEL & ZAFMAN, Los Angeles, CA

JUDGES: Before: SCHROEDER, Chief Judge, PREGERSON, and TROTT, Circuit Judges.

OPINION: MEMORANDUM *

In this consolidated appeal Alan Blau appeals (1) the district court's order granting YMI Jeanswear, Inc.'s motion to recover a bond posted by Blau as surety for the issuance of a temporary restraining order and (2) the district court's subsequent summary judgment order in favor of YMI on Blau's complaint alleging federal trademark causes of action under the Lanham Act and a California state law cause of action for unfair competition. We affirm the summary judgment order and dismiss the bond appeal as moot.

The district court properly granted summary adjudication on the damages issue because Blau failed to raise triable issues of fact regarding whether the parties were in direct competition and whether YMI willfully infringed the UBU mark. See Maier Brewing Co. v. Fleischmann Distilling Corp., 390 F.2d 117, 121 (9th Cir. 1968). Blau's claim for injunctive relief is moot because YMI ceased using the "Ymi Lets Ubu" slogan before Blau filed suit. See Polo Fashions. Inc. v. Dick Bruhn. Inc., 793 F.2d 1132, 1135 (9th Cir. 1986)(explaining that cessation of unlawful conduct moots a request for injunctive relief where "the reform of the defendant [is] irrefutably demonstrated and total"). Summary judgment is appropriate as to Blau's claim for statutory damages. Blau had notice that the sufficiency of his statutory damages claim was at issue because (1) YMI's motion for summary judgment sought to dismiss the entire complaint and (2) the tentative order put Blau on notice that Blau's

counterfeiting claim was at issue. Furthermore, Blau did not ask for more time or move for reconsideration on this issue. Moreover, as we examine the counterfeiting issue de novo, it appears under the circumstances to have no merit.

Because we affirm the summary judgment order in favor of YMI, the question of whether a party can be "wrongfully restrained" before there is a final determination on the merits is moot.

AFFIRMED.

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* This disposition is not appropriate for publication and may not be cited to or by the courts of this circuit except as provided by Ninth Circuit Rule 36-3.

No. 02-9551
UNITED STATES DISTRICT COURT
CENTRAL DISTRICT
WESTERN DIVISION

ALAN BLAU,
Plaintiff

v.

YMI JEANSWEAR, INC.; DAVID VERED: DOES 1-10, inclusive
Defendants

1/22/04

FINAL JUDGMENT

Pursuant to the court's order entered January 6, 2004, granting the parties' respective motions for summary judgment anc adjudication;

IT IS ORDERED, ADJUDGED AND DECREED that;

1. plaintiff shall take nothing by his complaint, and judgment thereon is awarded in favor of defendants;

2. defendants shall take nothing by their counterclaim, and judgment thereon is entered in favor of plaintiff;

3. per the Court's prior orders, defendant YMI Jeanswear, Inc., has been awarded a $50,000 recovery against the surety on plaintiff's restraining order bond, and the Court retains jurisdiction to enforce that order; defendants are the prevailing parties, and are awarded their costs in the amount of

This judgment is final pursuant to Fed. R. Civ. P., Rule 58.

Dated: 1/22/2004

Florence-Marie Cooper
United States District Judge

No. 02-9551
UNITED STATES DISTRICT COURT
CENTRAL DISTRICT
WESTERN DIVISION

ALAN BLAU,
Plaintiff

v.

YMI JEANSWEAR, INC.; DAVID VERED: DOES 1-10, inclusive
Defendants

ORDER GRANTING DEFENDANTS' MOTION FOR SUMMARY ADJUDICATION OF DAMAGE ISSUES AND SUMMARY JUDGMENT

ORDER GRANTING PLAINTIFF'S MOTION FOR SUMMARY JUDGMENT OR SUMMARY ADJUDICATION OF DEFENDANTS' COUNTERCLAIM

Filed 1/2/2004

This matter is before the Court on Defendants' Motion for Summary Adjudication of Damage Issues and Summary Judgment (docket no. 70), filed November 3, 2003, and Plaintiff's Motion for Summary Judgment or Summary Adjudication of Defendants' Counterclaim (docket no. 86), filed November 24, 2003. For the reasons set forth below, the Court hereby grants Defendants' Motion and hereby grants Plaintiff's Motion.

I. Factual Background

Plaintiff Alan Blau is the owner and registrant of the trademarks "U.B.U." and "U.B.U. International" for garments dyed and washed, cotton knit and woven clothing, namely pants, shirts, vests, blouses and jackets. (Blakely Decl. at Ex. 1.) Plaintiff started U.B.U. around 1991 to early 1992. (Blau Dep. at 10.) In 1994, Plaintiff and his partner, David Koral, started YB Norml, Inc. ("YB Norml") and Plaintiff licensed the "U.B.U." mark to YB Norml. (Koral Dep. at 5-6.) Neither David Koral nor YB Norml are parties to this action. The target market for U.B.U., when Blau first started the line, included women ranging from their late teens through their fifties. (Blau Dep. at 35.) YB Norml's U.B.U. line is generally classified as a "missy" line, which is targeted at women between the ages of 24 and 45. (Crevo Dep. at 42, b2.) In 2001 and 2002, less than 5% of UBU sales were from denim or twill pants. (Koral Dep. at 96.) YB Norml sells U.B.U. products to specialty stores, boutiques, resort stores, casino gift shops, hotel gift shops, and occasionally, catalogues and sporting goods stares. (Blau Dep. at 53)

Defendant YMI Jeanswear, Inc. ("YMI") was started in 2001. (Vered Dep. at 9.) Defendant David Vered is the president and owner of YMI. (Vered Decl. at Par. 2.) YMI is basically a "jeans" company, selling products bearing the "YMI" trademark: about 85% of YMI's sales are of juniors denim jeanswear and the remaining 15% are junior "bottoms" made from novelty fabrics such as corduroy and twill; YMI does not sell blouses or tops. (Vered Dep. at 45-46.) YMI's line of clothing is sold exclusively in the juniors market, targeted at teenage girls and young women. (Vered Decl. at Par. 3.) YMI

sells to department stores, specialty retail chain stores, and also through a wholesale store in Los Angeles, called YMI Wholesale. (Vered Decl. at Par. 3.)

In the summer of 2401, Defendants and M-Designplex, a public relations firm, collaborated on designing the slogan: "YMI lets UBU ... Freedom 2 B what U want 2 B" ("YMI lets UBU"). (Vered Dep. at 79-80.) Defendants showed sales samples of products bearing the "YMI lets UBU" slogan beginning at the October 2001 trade show in New York. (Vexed Decl. at Par. 14.) Defendants' products which bore the "YMI lets UBU" slogan were girl's jeans targeted toward the junior market. (Vered Dep. at 45-46.) Plaintiff first learned of YMI's slogan "YMI lets UBU" from David Weisman, who notified Blau that he saw an advertisement for "YMI lets' UBU" in a market magazine he obtained in the lobby of a clothing building. (Blau Dep. at 135-138.) Plaintiff sent Vered a cease and desist letter an November 27, 2001; the letter was signed for by R. Delcastelio at the YMI business address. (Blakely Decl. at Ex.2.)

At the February 2002 trade show in Las Vegas, Blau and Koral confronted Vered directly about YMI's use of the letters UBU Vered testifies that he told Plaintiff that YMI would run through the products it had and would probably change the slogan by the end of the year. (Vered Dep. at 114.) Vered testifies that he ordered additional YMI products with the "YMI lets UBU" slogan in April 2002. (Vered Dep. at 84-85.) Around July 2002, Defendants began selecting new packaging and labels for use on the junior's line of clothing, which omitted any "UBU" reference. (Vered Decl. at Par. 17.) Defendants continued to fill orders for

YMI jeans by shipping both jeans with the "YMI lets UBU" slogan and jeans without the slogan, until Defendants exhausted the supply of jeans with the "YMI lets UBU" slogan in late 2002. (Vered Decl. at Par. 19.)

On December 16, 2002, Plaintiff filed a Complaint alleging federal causes of action under the Lanham Act for trademark infringement and unfair competition, and state law causes of action for violations of California Unfair Competition Law and for imposition of a constructive trust. Plaintiff also filed an ex parte application for a TRO, order far seizure, and order to show cause regarding the issuance of a preliminary injunction. On December 16, Plaintiff obtained a TRO from this Court which prohibited Defendants from selling or otherwise disposing of clothing bearing Plaintiffs "U.B.U." mark. In addition, the Court ordered the seizure and impoundment of products bearing Plaintiffs "U.B.U." mark. Plaintiff posted a $50,000 bond as security for the TRO and seizure order.

On December 30, 2002, the Court denied Plaintiffs request for a preliminary injunction, dissolved the TRO and vacated the seizure order. Defendants filed a counterclaim against Plaintiff on January 31, 2003, asserting a claim for wrongful seizure under 15 U.S.C. Sec. 1116(d)(I1). On February 4, 2002 YMI filed a Motion for Summary Adjudication of Obligation and Execution, whereby YMI sought to recover the $50,000 bond. The Court found that YMI was wrongfully restrained, and that YMI was entitled to judgment as a matter of law on the issue of Plaintiff's liability on the bond. On August 15, 2003, the Court granted Defendants' Motion to recover the bond.

II. Summary Judgment Standard

Summary judgment is proper only where "the pleadings, depositions, answers to interrogatories, and admissions on file, together with the affidavits, if any, show that there is no genuine issue as to any material fact and that the moving party is entitled to judgment as a matter of law." Fed. R. Civ. P. 56(c); see also Matsushita Elec. Indus. Co. v. Zenith Radio Corp., 475 U.S. 574, 106 S.Ct. 1348 (198b).

The moving party bears the initial burden of demonstrating the absence of a genuine issue of material fact. See Anderson v. Liberty Lobby, Inc., 477 U.S. 242, 256, 106 S.Ct. 2505 (1986). Whether a fact is material is determined by looking to the governing substantive law; if the fact may affect the outcome, it is material. See id. at 248.

If the moving party meets its initial burden, the "adverse party may not rest upon the mere allegations or denials of the adverse party's pleading, but the adverse party's response, by affidavits or as otherwise provided in this rule, must set forth specific facts showing that there is a genuine issue for trial." Fed. R. Civ. P. 56(e). Mere disagreement or the bald assertion-that a genuine issue of material fact exists does not preclude the use of summary judgment. See Harper v. Wallingford, 877 F.2d 728 (9th Cir. 1989). The Court construes all evidence and reasonable inferences drawn therefrom in favor of the non-moving party. See Anderson, 477 U.S. at 255; see also Brookside Assocs. v. Rifkin, 49 F.3d 490, 492-93 (9th Cir. 1995).

III. Defendants' Motion for Summary Adjudication

Defendants allege that summary adjudication is proper on Plaintiffs damages claim for trademark infringement and unfair competition, because Plaintiff cannot establish the requisite standards to recover Defendants' profits. Defendants then argue that summary judgment of Plaintiff's entire case is proper, because Plaintiff's request for injunctive relief is moot and because Plaintiff's state law claims fail along with the trademark claims.

A. Plaintiffs Lanham Act Claims for Trademark Infringement and Unfair Competition

Section 35 of the Lanham Act, 15 U.S.C. § 1117(a) governs the award of monetary remedies in both trademark infringement and unfair competition claims, and provides for an award of Defendants' profits, any damages sustained by Plaintiff, and the costs of the action. An award of damages or profits "shall constitute compensation and not a penalty." 15 U.S.C. § 1117(a). Defendants' profits are recoverable (1) as a substitute measure of damages for Plaintiff's own damages when the parties are in direct competition and Defendants' sales are attributable to the infringing conduct or (2) when trademark infringement is "willfully calculated to exploit the advantage of an established mark." See Lindy Pen Co. v. Bic Pen Corp., 982 F.2d 1400, 1405, 1407-8 (9th Cir. 1993), cert. denied, 510 U.S. 815, 114 S.Ct. 64 (1993); Playboy Enterprises, Inc. v. Baccarat Clothing Co., 692 F.2d 1272, 1274 (9th Cir. 1982).

1. Actual Damages

Plaintiff has not provided sufficient evidence to raise a triable issue of fact as to whether he suffered any

personal actual damages.[1] Plaintiff is co-owner of YB Norml, Inc., a non-party corporation. Plaintiff is the registered owner of the U.B.U. trademark and has licensed its use to YB Norml. Plaintiff's compensation consists of a fixed salary from YB Norml at $48,004 per year. (Blau Dep. at 128.) Plaintiff has not provided evidence that his personal income decreased due to Defendants' alleged infringement.

Plaintiff also seeks to recover damages suffered by YB Norml, as a form of direct injury to him personally as the licensee and shareholder of YB Norml. However, Plaintiff has provided insufficient evidence to raise a triable issue of fact as to actual damages to the corporation. Plaintiff produced several documents relating to YB Norml's financial status for the relevant time period. However, David Koral, Blau's partner in YB Norml, testified that those records were largely inaccurate, except as to revenue. (Koral Dep. at 57-80.) Plaintiff failed to produce any additional financial statements for YB Norml. (Martin Decl. at 116.)

Neither Plaintiff nor Koral, testifying as to their lay opinions, could identify specific accounts or customers that were lost due to Defendants' alleged infringement of Plaintiff s mark. (Blau Dep. at 222-223; Koral Dep. at 91-92.) Plaintiff asserts that YB Norml lost its business with Nordstrom "within a suspicious proximity of when [Nordstrom] started purchasing. YMI products." (Pl.'s opp. at 9.) In actuality, Plaintiff has failed to establish any link between Nordstrom's purchase of YMI products and Nordstrom's cessation of its business relationship with YB Norml. Nordstrom purchased U.B.U. products from YB Norml only in 1999, before YMI went into business in September 2000, and before

YMI used the allegedly infringing slogan beginning in October 2001. (Vered Decl. at Pars. 2, 14.) At some point in 1999 or 2000, the buyer at Nordstrom, with which Plaintiff had a business relationship, left Nordstrom. For several years, Nordstrom did no buying out of the East Coast, and Nordstrom did not re-order U.B.U. products from YB Norml, even though Plaintiff attempted to sell to Nordstrom during that period. (Blau Dep. at 49-51.)

Plaintiff alleges that the decline in revenue suffered by YB Norml after 2001 is somehow attributable to Defendants' alleged infringement. However, when asked about the decline during their depositions, neither Blau nor Koral identified YMI as a potential cause. Instead, Blau and Koral provided the following explanations: bad overall business environment following the events of September 11, 2001; changes in trends and styling; change in YB Norml business structure from a domestic to import program; overstocked inventory; and a higher margin on rower sales. (Blau Dep. at 124-25; Koral Dep. at 89.) Although Blau acknowledged that the loss of Nordstrom as a customer may have contributed to the decline, he stated that he "can't tell you it's one customer that is not buying from [YB Norml]" that caused the decline. (Blau Dep. at 131.)

Plaintiffs only direct evidence of actual damage consists of declarations from two women who, while shopping at different Nordstrom stores on different occasions, purchased YMI jeans bearing the "YMI lets UBU" slogan, because they thought the jeans were produced by YB Norml. (Szafran Decl., Abramson Decl.) However, there is no evidence that the mistaken

purchase of YMI jeans damaged YB Norml, only that it benefitted Defendant YMI. This is not a situation where the customer intended to purchase U.B.U. jeans, but instead was induced to purchase YMI jeans; the women decided to buy the jeans only after they saw the jeans in Nordstrom and they could not have purchased U.B.U. jeans at Nordstrom, because YB Norml did not sell jeans in Nordstrom or any other department store after 1999.

Plaintiff has failed to identify any measurable loss, either to himself or to the corporation, to establish actual damages.

2. Profits as Substitute Measure of Plaintiffs Damages

As an alternative to establishing actual damages, Plaintiff can attempt to recover Defendants' profits. In order for Plaintiff to substitute Defendants' profits as a measure of its damages, Plaintiff must establish both that the parries are in direct competition and that Plaintiff suffered actual lass due to Defendants' infringing sales. See Lindy, 982 F.2d at 1407-8.

As explained above, Plaintiff failed to establish any actual loss, either personally or to the corporation, resulting from Defendants' alleged infringement of Plaintiffs mark. The only additional evidence Plaintiff offers consists of statements, prepared by Blau and signed by U.B.U. "customers,[2] that the "customers" were confused when confronted with the YMI product bearing the "YMI lets UBU" slogan. (Blau Dep. at Ex.211.)

However, the statements do not establish that YB

Norml lost any sales to YMI.

Plaintiff has not provided sufficient evidence to establish that the parties are in direct competition. The parties do not market and sell to the same stores: YB Norml sells U.B.U. to specialty stores, boutiques, resort stores, casino gift shops, hotel gift shops, and occasionally, catalogues and sporting goods stores; YMI sells to department stores, specialty retail chain stores, and also sells products through a wholesale store in Los Angeles, called YMI Wholesale. (Blau Dep. at 53; Vered Decl. at Par. 3) There is not clear evidence that the parties advertise in the same manner and to the same customer base. The fact that both YB Norml and YMI appear at the same trade shows does not establish that the parties are in direct competition, because the trade shows feature companies from all segments of the market. In addition, the parties were located in separate sections at the trade shows: YB Norml in the missy section and YMI in the junior section. (Crevo Dep. at 23-24.)

Further, there is not sufficient evidence that the parties share a target market. YB Normal sells women's clothing in the "missy" category, which consists of women between the ages of 25 and 45. (Crevo Dep. at 42.) Blau testified that, when he started U.B.U., the target market was broad, ranging from women in high school through their fifties. (Blau Dep. at 35.) However, it is unclear whether U.B.U. has maintained that broad target market, since the evidence indicates U.B.U. participates in the missy market, not the junior market. Defendants' products which bore the "YMI lets UBU" slogan were girl's jeans targeted toward the junior market. (Vered Dep. at 45-

46.) There is also insufficient evidence that the parties sold competing goods. About 85% of YMI's sales are of juniors denim jeanswear and the remaining 15% are junior "bottoms" made from novelty fabrics such as corduroy and twill; YMI does not sell blouses or tops. (Vered Dep. at 4546.) In contrast, in 2001 and 2002, less than 5% of U.B.U. sales were from"' denim or twill pants. (Koral Dep. at 96.)

Plaintiff has not provided sufficient evidence to raise triable issues of fact as to whether Plaintiff suffered any actual loss due to Defendants' alleged infringement and whether the parties are in direct competition.

3. Profits for Willful Infringement

Plaintiff may also attempt to recover Defendants' profits when the trademark infringement is "willfully calculated to exploit the advantage of an established mark." Lindy, 982 F.2d at 1405. "Willful infringement carries a connotation of deliberate intent to deceive." Id. at 1406. Willfulness has been described as being the equivalent of bad faith. Id. "[A] knowing use of a mark in the belief that there is no confusion is not bad faith." Id.

Plaintiff has not provided sufficient evidence to raise a triable issue of fact as to whether Defendants willfully infringed Plaintiff's mark. At the time Defendants selected the "YMI lets UBU" slogan, Defendants had no knowledge of Plaintiffs trademark or any products labeled U.B.U. (Vered Decl. at Par. 15.) In the summer of 2001, Defendants and M-Designplex, a public relations firm, collaborated on designing the slogan: "YMI lets UBU ... Freedom 2 B what U want 2 B".

(Vered Dep. at 79-80.) Defendants showed sales samples of products bearing the "YMI lets UBU" slogan beginning at the October 2001 trade show in New York. (Vered Decl. at Par. 14.)

Plaintiff sent Vered a cease and desist letter on November 27, 2001; the letter was signed for by R. Delcastelio at the YMI business address. (Blakely Decl. at Ex.2.) At the February 2002 trade show in Las Vegas, Blau and Koral confronted Vered directly about YMI's use of the letters "UBU." Vered testifies that he told Plaintiff that YMI would run through the products it had and would probably change the slogan by the end of the year. (Vered Dep. at 114.) Vered testifies that he ordered additional YMI products with the "YMI lets UBU" slogan in April 2002. (Vered Dep. at 84-85.) Around July 2002, Defendants began selecting new packaging and labels for use on the junior's line of clothing, which omitted any "UBU" reference. (Vered Decl. at Par. 17.) Defendants continued to fill orders for YMI jeans by shipping both jeans with the "YMI lets UBU" slogan and jeans without the slogan, until Defendants exhausted the supply of jeans with the "YMI lets UBU" slogan in late 2002. (Vered Decl. at Par. 19.)

Although Vered denies that he received the cease and desist letter, that dispute is irrelevant. As explained in Lindy, knowing use of a mark, with the belief that there is no confusion, does not constitute willful infringement. Lindy, 982 F.2d at 1406. Even if Defendants continued to use "UBU" in its slogan after Vered learned of Plaintiffs mark, there is no evidence Defendants intended to exploit U.B.U.'s mark. Further, Vered states that he did not believe YMI's use of UBU

was confusing. (Vered Decl. at Par. 16.) Defendants voluntarily ceased using the "YMI lets UBU" slogan by the end of 2002, before Plaintiff filed his lawsuit claiming trademark infringement.

Defendants additionally argue that Plaintiff failed to demonstrate that his mark was sufficiently "established" to justify an award of Defendants' profits. However, since Plaintiff failed to raise a triable issue as to whether Defendants willfully infringed Plaintiff's mark, the Court will not address that argument.

The Court finds that Plaintiff failed to raise triable issues of fact regarding whether Plaintiff suffered actual loss, whether the parties were in direct competition, and whether Defendants willfully infringed Plaintiff's mark. Summary adjudication on the issue of damages for trademark infringement is proper. In addition, Plaintiff has failed to offer any evidence to support its claim for statutory damages for counterfeiting under 15 U.S.C. § 1117(c).[3] Further, Plaintiff has failed to offer any evidence to support it's claim for injunctive relief, which in any event is moot, because Defendants ceased using the "YMI lets UBU" slogan by the end of 2002. Accordingly, the Court hereby grants summary judgment of Plaintiffs Lanham Act,, claims for trademark infringement and unfair competition.[4]

B. Plaintiffs State Law Claims

Liability standards and damages for claims arising under California Unfair Competition Law, Cal. Bus. & Prof. Code § 17200, are "substantially congruent to claims made under the Lanham Act." Entrepreneur

Media, Inc. v. Smith, 279 F.3d 1135,1153 (9th Cir. 2002). Money damages are not available under Sec. 17200; only equitable relief, including restitution and disgorgement are available. See Vikco Ins. Servs. v. Ohio Indem. Ca., 74 Cal. App. 4th 55, 82 Cal. Rptr. 2d 442 (1999).

Under § 17200, Plaintiff can recover restitution, defined as "profits unfairly obtained to the extent that [the] profits represent monies given to the defendant or benefits in which the plaintiff has an ownership interest." Korea Supply Co. v. Lockheed Martin Corp., 29 Cal. 4th 1134, 1148, 131 Cal. Rptr. 2d 29 (2003). Plaintiff has not raised a triable issue of fact as to whether he had an ownership interest in the money he seeks to recover from Defendants. Plaintiff has not identified any actual damages either to himself or to the corporation, and Plaintiff has not demonstrated that he or the corporation suffered losses directly attributable to Defendants' allegedly unfair business practices. Plaintiff's opposition merely states that "[D]efendants were unjustly enriched when they misappropriated (i.e. "took") plaintiff's UBU mark and used it in connection with the sale of its own goads;" Plaintiff did not offer any form of proof as to whether he held an ownership interest in Defendants' profits. (Pl.'s opp. at 14.) The bald assertion that a genuine issue of material fact exists does not preclude summary judgment.

Plaintiff has failed to raise a triable issue of fact as to whether he is entitled to relief under his California Unfair Competition cause of action. In addition, Plaintiff failed to address whether his request for a constructive trust can survive summary judgment. Since Plaintiff did not identify the profits that he

alleges are the basis for the constructive trust, the Court finds that summary judgment is proper as to Plaintiffs request for a constructive trust. Accordingly, the Court hereby grants summary judgment of Plaintiffs state law claim under Sec. 17200 and his request for a constructive trust.

IV. Plaintiffs Motion for Summary Judgment of Defendants' Counterclaim

Plaintiff argues that summary judgment of Defendants' counterclaim for wrongful seizure is proper because YMI cannot seek recovery of damages and/or fees beyond the amount Plaintiff posted as the restraining order band. Plaintiff is correct that liability for the wrongful issuance of an injunction is limited to the amount of the bond. See Buddy Systems Inc. v. Exer-Genie Inc., 545 F. 2d. 1164,1167-68 (9th Cir. 1976). In addition, liability for wrongful seizure is limited to the amount of the bond.

15 U.S.C. § 1116(d)(11) provides that "[a] person who suffers damage by reason of a wrongful seizure... has a cause of action against the applicant ... to recover such relief as may be appropriate, including damages for lost profits, cost of materials, loss of good will and punitive damages in instances where the seizure was sought in bad faith, and, unless the court finds extenuating circumstances, to recover a reasonable attorney's fee." The bond requirement in 15 U.S.C. Sec. 1116(d)(4) requires the person obtaining a seizure order to "provide[] the security determined adequate by the court for the payment of such damages as any person may be entitled to recover as a result of a wrongful seizure or wrongful attempted seizure." Section

1116(d)(4) expressly provides that the bond must cover any damages arising from a wrongful seizure. The bond requirement serves to protect a defendant by providing an adequate bond to cover any possible damages arising out of a wrongful seizure, including statutory damages under Sec. 1116(d)(11) for wrongful seizure.

In Major League Baseball Promotion Corp. v. Colour-Tex, Inc., a New Jersey District Court noted that "[s]ection 1116(d)(4)(A) is a general provision that provides security to a defendant for any damages recoverable due to the ex parte seizure process, not just for damages recoverable through a statutory cause of action under section 1116(d)(11)." Major League Baseball Promotion Corp. v. Colour-Tex, Inc., 729 F. Supp. 1035,1050 (D. N.J. 1990)(emphasis added). It is clear from the language of § 1116(d)(4) and Major League Baseball, that the bond requirement in § 1116(d)(4) is intended to cover any damages resulting from the wrongful seizure, including those recoverable through § 1116(d)(11).

Defendants cite Waco Intern., Inc. v. KHK Scaffolding Houston, Inc., 278 F.3d 523, 528 (5th Cir. 2002) for the proposition that a bond posted under 15 U.S.C. § 11 16(d)(4) does not limit the amount recoverable in a wrongful seizure claim under 15 U.S.C. Sec. 11 16(d)(11). In Waco, Plaintiff posted a $25,000 band pursuant to ex parte order to seize goods; jury awarded Defendant $730,687 in attorney fees, $185,196 in costs and $250,000 in punitive damages in Defendant's § 11 16(d)(11) claim for wrongful seizure, even though jury found Defendant suffered no lost profits and no lost goodwill from the seizure. The court held that "[i]n seeking an ex parte seizure order, [plaintiff] assumed

the risk imposed by Sec. 1116(d)(11) that it would be liable for damages for wrongful seizure if its position was not ultimately sustained upon completion of the adversarial process [i.e., the post-seizure hearings]." Id. at 529. However, the court in Waco did not discuss the issue of whether a wrongful seizure recovery is limited to the amount of the bond; Waco cannot be cited for a proposition that it did not directly address.

Plaintiff further argues that Defendants' statutory claim for wrongful seizure cannot survive, because this Court granted Defendants' Motion to Recover the Bond; thus, there are no additional damages available to Defendants. Summary judgment of Defendants' counterclaim is appropriate, because the amount of the bond limits Defendants potential recovery for wrongful seizure under Sec. 1116(d)(11), and Defendants have already recovered the full amount of the bond.
Plaintiff additionally seeks to establish as a matter of law that he "is the registered owner of the UBU Mark." (Pl.'s mtn. far summary judgment at 6.) Defendants do not dispute that Plaintiff owns various trademark registrations, including "U.B.U." and "U.B.U. International" for use on specified goods. However, Defendants do not concede that Plaintiff is the owner of the exclusive right to use "UBU." Summary adjudication on the issue of Plaintiffs ownership of the "UBU" mark is inappropriate.

The Court hereby grants Plaintiffs motion for summary judgment of Defendants' counterclaim.

V. Conclusion

The Court hereby grants Defendants' Motion for

Summary Adjudication of Damage Issue and Summary Judgment (docket no. 70). The hereby grants Plaintiff's Motion for Summary Judgment of Defendants' Counterclaim (docket no. 86). Defendants are ordered to file a judgment that is consistent with this order within ten days of the date of entry of this order.

December 31, 2003

FLORENCE-MARIE COOPER, Judge
UNITED STATES DISTRICT COURT

Footnotes

fn1 Plaintiff fled a "Supplemental Declaration of Brent H. Blakely in Opposition To [Defendants] Motion for Summary judgment" on December 5, 2003. The "Supplemental Declaration" was due to be filed at the time of Plaintiff opposition, December 1, 2003, The Declaration is both untimely and unauthorized, and has not been considered by the Court.

fn2 Not all of the people who signed the statements were U.B.U. customers or retail buyers. Plaintiff acquired the statements from people who approached his booth at a trade show in 2003 and said they found the YMI product confusing.

fn3 Plaintiff mentions his request for statutory damages under 15 U.S.C. Sec. 1117(c) but neither argues nor briefs the issue. The Court agrees with Defendants that composite trademarks must be looked at in their entirety as they appear in the marketplace. Plaintiff has not raised a triable issue that the "YMI lets UBU" slogan is identical to or substantially

indistinguishable from Plaintiffs registered marks, "UBU." and/or "U.B.U. International."

fn4 On December 29, 2003, Plaintiff filed a "Supplemental Brief re: New Ninth Circuit Authority Submitted in Opposition to Defendants' Motion for Summary Judgment" wherein Plaintiff cites to Earthquake Sound Corp. v. Bumper Indus., 2003 WL 22952105 (9th Cir. Dec. 16, 2003). However, Earthquake is inapposite. Although Earthquake addresses the standard for willfulness in relation to trademark infringement, it does so in the context of the "exceptional case" requirement for recovery of attorneys fees by the prevailing party in a trademark case. The discussion and analysis in Earthquake does not alter this Court's grant of Defendants' Motion for Summary Judgment, because here, Plaintiff has not produced sufficient evidence of damages resulting from any alleged infringement. In addition, Plaintiff has failed to raise a triable issue as to whether Defendants' alleged infringement was willful. The facts in Earthquake are readily distinguishable. There, the defendant knew of the plaintiffs mark before it started using the infringing mark, the marks were very similar, the parties were in direct competition, the parties used the same marketing channels, and the defendant continued to use the similar mark for several years after agreeing to stop using the mark. In Earthquake, the court stated that "[t]he total picture in this case is one of deliberate, willful infringement," and found that the facts indicated an exceptional case warranting an award of attorney's fees. Earthquake, 2003 WL 22952105, at *8. Comparable facts were not present in this case.

No. 04-55355)
UNITED STATES COURT OF APPEALS FOR THE NINTH CIRCUIT

ALAN BLAU, a/k/a Seal 1,
Plaintiff – Appellant

v.

YMI JEANSWEAR, INC.; DAVID VERED,
Defendants - Appellees

Filed 6/15/05

ORDER

Before: SCHROEDER, Chief Judge, PREGERSON, and TROTT, Circuit Judges.

The panel as constituted above has voted to deny the petition for rehearing. Chief Judge Schroeder and Judge Pregerson have voted to deny the petition for rehearing en banc and Judge Trott so recommends.

The full court has been advised of the suggestion for rehearing en banc and no judge of the court has requested a vote on it. Fed. R. App. P. 35(b).

The petition for rehearing and the petition for rehearing en banc are DENIED.